

Message Text

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11

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 /104 W

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R 260642Z JUN 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3258

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USINT BAGHDAD

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DEPT AND LONDON PASS TO MARAD

E.O. 11652: N/A

TAGS: EWWT, ENRG, KU

SUBJECT: GOK PRESSURE ON BP TO CHARTER OIL TANKER

REF: (A) KUWAIT 1621 (B) STATE 77027

1. LOCAL PRESS AND MEES HAVE REPORTED THAT GOK PUTTING PRESSURE ON BP TO RENEW CHARTER OF 208,000 DWT TANKER "AL-FINTAS" BELONGING TO KUWAIT OIL TANKERS COMPANY, PRIVATELY OWNED BY POWERFUL LOCAL INTERESTS. ORDER CAME DIRECTLY FROM CROWN PRINCE/PRIME MINISTER AFTER IT BECAME KNOWN THAT AL-FINTAS HAD BEEN LYING IDLE SINCE
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BP CHARTER RAN OUT. LOCAL SOURCES CONFIRM KOC ORDERED LOAD TANKER

ALTHOUGH CONTRACT HAD EXPIRED. MOREOVER, KOTC, WITH GOK SUPPORT EVIDENTLY ASKING FOR FORMER CHARTER RATE AS BASIS FOR PAYMENT WHILE BP INSISTING IT SHOULD PAY NO MORE THAN CURRENT SPOT MARKET RATES.

2. COMMENT: TRADITIONALLY GULF AND BP HAVE CHARTERED ALL OF KOTC'S TANKERS, AND IN FACT COMPANY HAS BEEN ENORMOUSLY PROFITABLE ENTERPRISE. RECENTLY COMPANIES' SHARE OF OWNERSHIP HAS DIMINISHED AND AMOUNTS OF CRUDE BEING LIFTED FROM KUWAIT BY COMPANIES ALSO CONSIDERABLY LESS THAN IN PAST. MOREOVER, AS CHARTERS EXPIRE KOTC FOR FIRST TIME BEING FACED WITH REALITIES OF TANKER GLUT. NO DOUBT KOTC'S FIRST REACTION IS (A) TO SEEK GOK SUPPORT AND (B) IN TYPICALLY KUWAITI FASHION SEEK ABSOLUTELY MOST FAVORABLE COMMERCIAL TERMS POSSIBLE.

3. AS REPORTED PREVIOUSLY GOK HAS CLAUSE IN ITS OWN DIRECT SALES CONTRACTS REQUIRING FIRST PREFERENCE FOR KUWAITI OWNED TANKERS. POSSIBILITY EXISTS, THEREFORE, THAT IF GULF AND BP CANNOT BE BUDGED, GOK WILL EXERT PRESSURE ON SHELL AND EXXON, LARGEST DIRECT PURCHASERS AND ONLY OTHERS MAJORS BUYING DIRECTLY FROM GOK. EXXON REP TOLD US, HOWEVER, TO DATE THERE HAS BEEN NO PRESSURE.

4. WE THINK IT QUITE LIKELY THAT BP WILL BE MORE STUBBORN ON TANKER MATTER THAN GULF WOULD BE. WE NOT AWARE ANY PROBLEMS GULF FACING NOW, AND INDEED COMPANY HAS JUST SOLD, WITH GREAT PUBLICITY LOCALLY, VLCC "AL-ANDALUS" TO KOTC. TANKER IS UNDER LONG TERM GULF CHARTER. APPEARS, THEREFORE, THAT IN TANKER AREA, AS IN OTHERS, GULF TAKING MORE MODERATE, FLEXIBLE STAND VIS-A-VIS GOK WHILE BP PLAYING ROLE OF HEAVY, AND THIS COULD HAVE AN INFLUENCE ON OUTCOME KOC TAKEOVER TALKS, NOW UNDER NEGOTIATION.
MAU

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, CONTRACTS, LEASES, CARGO SHIPS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUWAIT02718
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750221-0098
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750614/aaaaamgt.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 KUWAIT 1621, 75 STATE 77027
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUN 2003 by CunninFX>; APPROVED <05 NOV 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOK PRESSURE ON BP TO CHARTER OIL TANKER
TAGS: EWWT, ENRG, KU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006